

1 Daniel R. Richardson, Esq., SBN 165601
Richardson Intellectual Property Law, Prof. Corp.
2 870 Market Street, Suite 615
San Francisco, CA 94102
(415) 291-8900
3 Fax: (415) 291-8391
email: danr@richardsonlaw.com

4 Attorney for Defendants
5 HAMID ASSADIAN
6 NASSER KHATEMI
INTEGRATED NETWORK SOLUTIONS CORP.

7
8 UNITED STATES DISTRICT COURT
9 EASTERN DISTRICT OF CALIFORNIA
10 SACRAMENTO DIVISION
11
12

13 WORDTECH SYSTEMS, INC., a California
Corporation,

14 Plaintiff,

15 vs.

16
17 INTEGRATED NETWORK SOLUTIONS, Inc. a
Nevada corporation Corp. DBA INTEGRATED
18 NETWORK SOLUTIONS CORP. AKA
INTEGRATED NETWORK SOLUTIONS AKA
19 INTEGRATED SYSTEMS AKA INTERNET
NETWORK STORAGE COMPANY, AKA INSC;
NASSER KHATEMI, an individual, HAMID
20 ASSADIAN, an Individual, EHTERAM
GHODSIAN, an individual, SHOHREH JAVADI,
an individual, MICHAEL F. ELLSWORTH, an
individual; BRIAN J. DEAN, an individual; SAN
21 JUAN UNIFIED SCHOOL DISTRICT; and
DOES 1 – 50,

22 Defendants

23
24 AND RELATED CROSS-ACTION

25 Case No.: CIV S 04-1971 MCE EFB

26
27 DEFENDANT'S MOTION FOR
JUDGMENT AS A MATTER OF LAW
PRE-VERDICT
(FRCP RULE 50(a))

28 Trial Date: November 3, 2008
Time: 09:00 AM
Courtroom: 7, 14th Floor
Judge: Hon. Morrison C. England

1 Defendants HAMID ASSADIAN, NASSER KHATEMI and INTEGRATED NETWORK
2 SOLUTIONS CORPORATION (“INSC”) move this honorable Court for a Judgment as a Matter of
3 Law (JMOL) pursuant to FRCP Rule 50(a).

4 **THE AFFIRMATIVE DUTY OF DUE CARE AS ARGUED
5 BY PLAINTIFF HAS BEEN SPECIFICALLY OVERRULED
6 BY THE FEDERAL CIRCUIT IN *IN RE SEAGATE***

7 On August 20, 2007, the Federal Circuit rendered a decision in the case of *In Re Seagate*
8 *Technology, LLC*, 830 (Fed. Cir. 8-20-2007).

9 Plaintiff’s original trial brief argued that Defendants had a duty of due care to seek the opinion
10 of an expert when they were noticed of the issuance of Plaintiff’s patents (Plaintiff Trial Brief, P. 9,
11 Section B). The leading case with regards the duty of due care imposed upon the defendant of a patent
12 infringement lawsuit was *Underwater Devices, Inc. v. Morrison-Knudsen Co.* 717 F.2d 1380, 1389-
13 1390 (Fed. Cir. 1983).

14 The Federal Circuit held, in *In Re Seagate Technology, LLC*, *id.*, at Par. 3 in Section “I.
15 Willful Infringement”, Page 11:

16 “In contrast, the duty of care announced in Underwater Devices sets a lower threshold for
17 willful infringement that is more akin to negligence. This standard fails to comport with the
18 general understanding of willfulness in the civil context, Richland Shoe Co., 486 U.S. at 133
19 (“The word ‘willful’... is generally understood to refer to conduct that is not merely
20 negligent.”), and it allows for punitive damages in a manner inconsistent with Supreme Court
21 precedent, see, e.g., Safeco, slip op. at 6-7,18-19, 21 n. 20; Smith v Wade, 461 U.S. 30, 39-49
22 (1983). Accordingly, we overrule the standard set out in Underwater Devices and hold that
23 proof of willful infringement permitting enhanced damages requires at least a showing of
24 objective recklessness. Because we abandon the affirmative duty of due care, we also
reemphasize that there is no affirmative obligation to obtain opinion of counsel.”

25 Thus, under the newest holding of the Federal Circuit, Plaintiff must show “objective
26 recklessness” on the part of Defendants herein in order to be awarded enhanced damages.
27
28

THE ARGUMENT OF WILLFUL INFRINGEMENT BY PLAINTIFF HAS BEEN SPECIFICALLY OVERRULED BY THE FEDERAL CIRCUIT IN *IN RE SEAGATE*

Plaintiff argues that “Treble damages may be awarded where the infringement is found to be willful” (Plaintiff’s trial brief P. 9, Line 26). As shown, *supra*, the Federal Circuit has overruled the previous case law in this regard, and as per the holding in *In Re Seagate Technology, LLC, id., at Par. 3 in Section “I. Willful Infringement”, Page 11*, Plaintiff must now show “objective recklessness” on the part of Defendants herein in order to be awarded enhanced damages.

As shown, *supra*, under authority of *In Re Seagate Technology, LLC*, 830 (Fed. Cir. 8-20-2007). The evidence admitted at trial demonstrated that once Defendants received notice of the subject patents, they did not behave with “objective recklessness”. Instead, Defendants acted prudently by investigating the claims of the subject patents to compare with the prior art.

**ABSENT A PRELIMINARY INJUNCTION, ENHANCED DAMAGES
ARE NOT AVAILABLE FOR POST-FILING CONDUCT OF DEFENDANTS**

Plaintiff's original trial brief argued that it is entitled to damages accruing from the date of its alleged notice to Defendants in December, 2000 and continuing to the present date (Plaintiff's trial brief P. 10, Line 10). The Federal Circuit in *In Re Seagate Technology, LLC*, *id.*, at Page 16, held:

“It is certainly true that patent infringement is an ongoing offense that can continue after litigation has commenced. However, when a complaint is filed, a patentee must have a good faith basis for alleging willful infringement. Fed.R.Civ.Pro. § 8, 11(b). So a willfulness claim asserted in the original complaint must necessarily be grounded exclusively in the accused infringer’s pre-filing conduct. By contrast, when an accused infringer’s post-filing conduct is reckless, a patentee can move for a preliminary injunction, which generally provides an adequate remedy for combating post-filing willful infringement. See 35 U.S.C. § 283; Amazon.com, Inc. v. Barnesandnoble.com, Inc., 239 F.3d 1343, 1350 (Fed. Cir. 2001). A patentee who does not attempt to stop an accused infringer’s activities in this manner should not be allowed to accrue enhanced damages based solely on the infringer’s post-filing conduct.”

1 Here, Plaintiff never sought, nor was it awarded a preliminary injunction, and thus, under
2 authority of *In Re Seagate Technology, LLC*, *id.*, Plaintiff may only seek enhanced damages for pre-
3 filing conduct.

4 WHEREFORE Defendants pray the Court to deny Plaintiff's request for enhanced damages
5 due to alleged willful infringement and in the alternative, that they are not entitled to any post filing
6 damages.
7

8 **FOLLOWING NOTICE OF THE SUBJECT PATENTS
9 DEFENDANTS RELIED ON THE DOCTRINE OF
10 PATENT EXHAUSTION, AND IMPLIED LICENSE AND THUS,
11 DID NOT INFRINGE THE SUBJECT PATENTS**

12 In addition, Defendants relied on the rule of "patent exhaustion" established by the
13 United States Supreme Court in *U.S. v. Univis Lens Co.*, 316 U.S. 241 (1942), and other cases. In
14 particular, the *Univis*, *id.*, court held at P. 251 - 252:

15 "...the particular form or method by which the monopoly is sought to be extended is
16 immaterial. The first vending of any article manufactured under a patent puts the article
17 beyond the reach of the monopoly which that patent confers. Whether the licensee sells the
18 patented article in its completed form or sells it before completion for the purpose of enabling
19 the buyer to finish and sell it, he has equally parted with the article, and made it the vehicle for
transferring to the buyer ownership of the invention with respect to that article."

20 Thus, where Defendants purchased for resale a device licensed for sale by Plaintiff, the patent
21 monopoly, if any, ended with the sale by the licensee and any subsequent modification or sale by
22 Defendants was not subject to a charge of infringement nor can it be used for enhanced damages.

23 In addition, Plaintiffs witness, Tibi Szilagyi, stated that he had sold 30 – 40 units to INSC
24 over the pertinent period, and Defendant Nasser Khatemi confirmed those same numbers in his
25 testimony. Mr. Szilagyi confirmed that he had received a notice of the patents from Plaintiff at about
26 the same time that Plaintiff allegedly mailed its letters in the year 2000 to Defendants. However, Mr.
27 Szilagyi then testified that due to his prior relationship with Mr. Miller, and with the full knowledge of
28

1 Mr. miller, he was allowed to continue his sale of the CD autoloaders without any license fee or
2 royalty payment to Wordtech.

3 Thus, under authority of *U.S. v. Univis Lens Co.*, 316 U.S. 241 (1942), and *Met-Coil Systems*
4 *Corp. v. Kornes Unlimited, Inc.*, 803 F. 2d 684, 686, 231 USPQ 474, 476 (Fed. Circuit 1986), and
5 including *Universal Electronics Inc. v. Zenith Electronics Corp.*, 846 F.Supp. 641, 647-648, 30 USPQ
6 2d 1853, 1858 (N.D. IL 1994), the *Met-Coil Systems Corp.* Court, *id.* held that there are two conditions
7 that must be met for an “implied license” to sell a device that practices the invention: 1) The CD
8 autoloaders sold by Defendants did not have a non-infringing use; and 2) The circumstances of the sale
9 “plainly indicate that the grant of a license should be inferred”.

10 Here, the devices were specifically manufactured to practice the patent and Mr.
11 Miller/Wordtech knew the devices were being sold into the stream of commerce and he made no effort
12 either to collect a royalty or to bring suit for infringement against Mr. Szilagyi. Thus, Mr. Szilagyi had
13 an implied license to sell his devices to Defendants. Under the principle of patent exhaustion, the
14 patent rights of Wordtech ended with any such implied license sale by Mr. Szilagyi.

15 WHEREFORE Defendants pray the Court to rule that Tibi Szilagyi had an implied license
16 for the manufacturing and sale of the CD autoloaders and that Defendant's therefore did not infringe
17 Plaintiff's patents due to patent exhaustion.

18
19
20
21 **HAMID ASSADIAN SHOULD BE DISMISSED DUE TO**
22 **A LACK OF EVIDENCE OF ANY INDIVIDUAL SALE**
23 **OF DEVICES AND OF ANY CORPORATE OFFICER SOURCE OF LIABILITY**

24 Plaintiff has asserted liability for patent infringement of individual defendant Hamid Assadian
25 (“ASSADIAN”) based on an unproved allegation that he held an officer position with the corporate
26 defendant, INSC. The evidence admitted at trial demonstrated that all allegedly infringing sales were
27 made by the corporation, INSC. In order to carry its burden of proof of patent infringement liability
28

1 with regards this individual Defendant, Plaintiff had to show either that 1) Defendant ASSADIAN
2 personally engaged in the sale of allegedly infringing devices, or that 2) there is some officer liability
3 for the sale of allegedly infringing devices by INSC.

4 As to the first alternative, Plaintiff did not introduce any evidence to demonstrate that
5 ASSADIAN ever made a single sale of an infringing device either on behalf of INSC or as an
6 individual. This fact was also stated explicitly by ASSADIAN in his testimony.
7

8 As to the second alternative, Plaintiff did not introduce any evidence to demonstrate that
9 ASSADIAN held any officer position with INSC at any time.
10

11 Wherefore, Defendant ASSADIAN prays the Court to dismiss Defendant Hamid Assadian.
12

13 **NASSER KHATEMI SHOULD BE DISMISSED DUE TO
A LACK OF EVIDENCE OF ANY INDIVIDUAL SALE
OF DEVICES AND OF ANY CORPORATE OFFICER SOURCE OF LIABILITY**

14 Plaintiff has asserted liability for patent infringement of individual defendant Nasser Khatemi
15 (“KHATEMI”) based on an unproved allegation that he held an officer position with the corporate
16 defendant, INSC. The evidence admitted at trial demonstrated that all allegedly infringing sales were
17 made by the corporation, INSC. In order to carry its burden of proof of patent infringement liability
18 with regards this individual Defendant, Plaintiff had to show either that 1) Defendant KHATEMI
19 personally engaged in the sale of allegedly infringing devices, or that 2) there is some officer liability
20 for the sale of allegedly infringing devices by INSC.
21
22

23 As to the first alternative, Plaintiff did not introduce any evidence to demonstrate that
24 KHATEMI ever made a single sale of an infringing device as an individual. This fact was also stated
25 explicitly by KHATEMI in his testimony. All sales made by KHATEMI were made as a salesman
26 with INSC. He was specifically identified as the salesman for INSC on most of the invoices
27 introduced by Plaintiff.
28

1 As to the second alternative, Plaintiff did not introduce any evidence to demonstrate that
2 KHATEMI held any officer position with INSC post the alleged Plaintiff notice of the patents
3 beginning in the year 2000. The only evidence admitted were undated website pages in which
4 KHATEMI was listed as "President". However, KHATEMI testified at trial that he and others at
5 INSC would sometimes adopt a title for marketing purposes, but that he never held such a position
6 with any executive responsibility with INSC during the relevant period.
7

8 Wherefore, Defendant KHATEMI prays the Court to dismiss Defendant Nasser Khatemi.

9 Date: November 11, 2008

10 Respectfully Submitted,
11 RICHARDSON INTELLECTUAL PROPERTY LAW, Prof. Corp.

12 /s/Daniel R. Richardson

13 Daniel R. Richardson, Esq.
14 Attorney for Defendants